LONG TERM CARE 101: LEGISLATIVE BRIEFING

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LifeSecure Insurance Company

- Founded in 2006, part of the Blue Cross Blue Shield of Michigan family.
- Michigan-based company (Brighton); products are sold nationally.
- We are dedicated to providing uncomplicated insurance solutions to help people protect themselves from unforeseen health-related risks and expenses.
- Our guiding business philosophy is focused on delivering "easi": expertise, accessibility, simplicity and innovation.

Long-Term Care 101

- Long-Term Care Introduction
- Demand and Costs
- Long-Term Care Insurance Overview
- Partnership Opportunities

What is Long-Term Care?

Traditional Health Care		Long-Term Care
Surgery, pain, illness	When do you need it?	Assistance with ADLs, cognitive disorder
Acute, short-term	What is your situation?	Chronic, long-term
Doctors, hospital	Who provides care?	Family, home care, nursing facilities
Recovery is ***likely***		Recovery is ***unlikely***

Think “Cure” versus “Care”

Long-Term Care Demand

- Demand is great and increasing[1]
  - Michigan residents 65 and older represent more than 14% of the population.
  - Population of Michigan residents age 65 and older will increase by about 50% by 2030.
  - About 70 percent of Americans over age 65 will need some form of long-term care in their lifetime.

Who Pays for Long-Term Care?

- Not traditional health insurance
- Not Medicare – provides limited skilled care

Who Fills the Gap?

- ☑ Pay out of pocket
- ☑ Private insurers

Safety Net

- ☑ Medicaid – only for low-income families

How Much Does it Cost?

- In Michigan[2]

	Average Rate	Annual
Home Health Aide	$20/hour	$20,800
Assisted Living	$3,344/month	$40,128
Nursing Home (private room)	$240/day	$87,600
Adult Day Care	$70/day	$18,200

- Costs continue to increase 2 - 5% each year nationally
- Average LTC need is 3 years[3]
  - Would cost a family about $230,000*

**2.5 years in a nursing home, 6 months of home care*

How Much Does it Cost?

- Affordability of private pay LTC services[4]
  - Nationally, private pay nursing home costs in 2012 averaged 252% of median household income for those age 65+, and the cost of home health services averaged 88% of median income.
  - There is wide variation in affordability between states and markets, yet private pay nursing home care is not affordable for middle-income families ***anywhere***.
  - While less costly than nursing homes, home health care is still unaffordable for middle-income older people at typical levels of use.
  - Out-of-pocket spending represents the third largest source of payment for LTC services, after Medicaid and Medicare.

Impact of Long-Term Care: Families

- Places heavy physical, financial and emotional burdens on families
  - Increased health risks for caregivers
  - More likely to suffer from serious health problems, such as depression, anxiety, or heart disease
  - Places stress on family relationships
- Critically important issue for women
  - More than 60 percent of caregivers are women
  - Caregivers often leave their job or reduce work hours
    - Women caregivers over age 50 who leave the workforce will lose more than $324,000 over a lifetime in foregone wages and Social Security and pension benefits[5]
  - Cost of caring for a spouse leaves little for their care or retirement

Where LTC Insurance Fits In

- LTC insurance
  - Plan Design
  - Industry Snapshot
  - Consumer Protections

What Does LTC Insurance Cover?

- A wide range of care and services:
  - Custodial Care
    - assistance with Activities of Daily Living (ADLs)
    - protection from threats to health and safety due to a cognitive impairment
  - Skilled Care
    - provided by licensed nursing personnel
  - Therapy Services
    - physical, respiratory, speech, other
- Services can be received in a variety of places:
  - At home
  - Adult Day Care
  - Assisted Living Facility
  - Nursing Home
  - Hospice Facility

What Triggers LTC Insurance Benefits?

- Inability to perform 2 of 6 ADLs
  - bathing, dressing, eating, toileting, transferring or continence

or

- Requiring supervision due to a severe cognitive impairment

How Does LTC Insurance Work?

Benefit Structures

- A Lifetime Benefit Amount (capped)
  - Often based on number of years or a pool-of-money approach
- A Daily or Monthly Maximum Benefit
  - E.g., $100 per day, or $3,000 per month
- An Elimination Period
  - Serves as a sort of deductible with LTC insurance
  - Number of initial days an impaired insured must wait before benefit payments will begin

Standard Features (generally)

- An inflation protection feature
  - Automatic compound inflation options, or
  - Guaranteed future purchase offers
- Waiver of premium while on claim
- Spouse discounts
- Other covered expenses
  - Caregiver training
  - Home modifications
  - Emergency alert or other home medical technology
  - Home medical equipment

LTCI: Industry Snapshot[6]

- Eight million Americans currently have some form of long term care insurance
- Insurers paid $6.6 billion in benefits last year to some 264,000 policyholders
- More than half of all new individual LTCI claims are for care received in the home
- Average premium for a 55-year old single policyholder is $1,720 per year for between $165,000 and $200,000 of coverage

Ages When People Apply for LTCI	
Under 35	3.5%
35-44	8%
45-54	26.5%
55-64	46.5%
65-74	15.5%

Ages for New LTCI Claims	
Under 50	0.3%
50-59	1.7%
60-69	8.4%
70-79	24.1%
80+	65.5%

Long-Term Care Insurance

- LTCI is guaranteed renewable. This means:
  - Coverage cannot be changed or canceled without insured's consent
  - Premiums may be increased over the life of the coverage
- Most states, including Michigan, have adopted rate stabilization policies in an attempt to prevent excessive and frequent LTCI rate increases
  - Based on National Association of Insurance Commissioners' guidelines (NAIC)
  - When filing for rate increases, carriers must show that proposed rates and insurer reserves are sufficient to cover anticipated costs over the life of the policy without unanticipated premium increases

Long-Term Care Insurance

- Additional consumer protections:
  - LTC insurers must provide a clear summary description of coverage
  - LTC insurers must disclose rate increase histories
  - Purchasers have 30 days to cancel their policy and receive a full refund
  - LTC insurers cannot limit or exclude benefits to policyholders based on the type of provider, type of illness, territorial limitations, treatment, medical condition, or an accident
  - A policyholder must have the option of purchasing a lesser level of coverage for at a lower cost when a premium increase is proposed

Impact on Government Programs

- Demand for LTC services driving significant growth of state and federal Medicaid expenditures
- Medicaid's LTC spend and the magnitude of the program in state budgets:
  - 22% of Michigan's Medicaid budget is spent on LTC ($2.56 billion, FY 2010)[7]
  - Michigan Office of Services to the Aging received $27.6 million from the 2012 state budget to provide home and community based services[8]
  - 33% of federal Medicaid dollars are spent on LTC services on just 7% of the Medicaid population[9]
  - Medicaid accounts for more than 40% of total spending on LTC services in the United States[10]

Partnership Opportunities

- Public-private collaboration would have a positive impact on Medicaid budgets by making LTCI more accessible and affordable
  - Encouraging more long-term care consumer awareness education and campaigns
  - Participating in the federal Long-Term Care Partnership Program
  - Establishing tax incentives for those who purchase LTCI

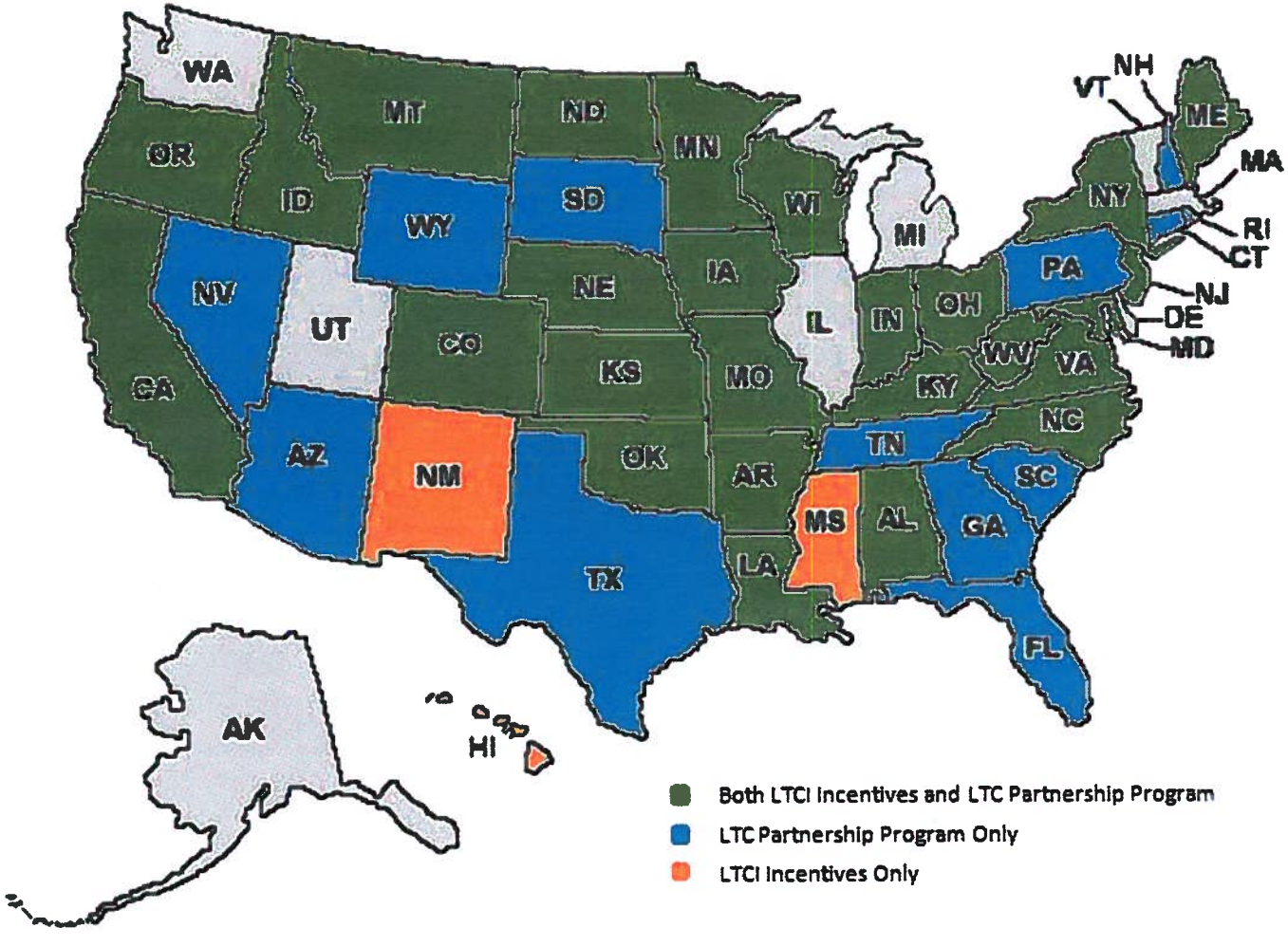
LTC Partnership Program

- Designed to reduce the reliance on Medicaid for LTC services
- Encourages purchase of more meaningful, complete LTCI and protects policyholders from Medicaid spend-down requirements
- For every dollar that a LTCI policy spends on a policyholder's care, the state protects that same dollar amount against Medicaid spend down requirements
  - *Example:* If a policyholder exhausts the benefits of their $100,000 LTC policy, he or she could retain $100,000 of assets above the state's Medicaid threshold when applying for coverage
- Active in 39 states; policyholders can receive the same benefits if they move to another state that also participates in the program
  - Currently Michigan does not participate

State Tax Incentives

- Goal is to reduce public spending on LTC services, primarily through Medicaid
- Currently available in 30 states in the form of credits and deductions
- Typically reduces the cost of LTCI premiums by roughly 5% to 25%

States Encouraging LTC Planning



Citations

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2. MetLife. *Market Survey of Long-Term Care Costs*. New York, NY 2012.
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4. AARP. *A New Way of Looking at Private Pay Affordability of Long-Term Services and Supports*, Washington, D.C. 2012.
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9. The Henry J. Kaiser Family Foundation. *Medicaid's Long-Term Care Users: Spending Patterns Across Institutional and Community-based Settings*, Washington, D.C. 2011.
10. ibid

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Exclusions and Limitations

No benefits, including the Flexible Benefit, will be payable under this Policy for:

- a loss that occurs while this Policy is not in force; or
- an illness, treatment or medical condition that is due to war or act of war, whether declared or undeclared (**In OK**: while serving in the military or an auxiliary unit attached to a military unit, or working in an area of war whether voluntarily or as required by an employer); or
- an illness, treatment or medical condition that results from an attempt at suicide while sane or insane (**In MO**: while sane) or an intentionally self-inflicted injury; or
- expenses for treatment or rehabilitation related to alcoholism or drug addictions; or
- expenses for services or items to the extent that such expenses are reimbursable under Title XVIII of the Social Security Act (Medicare), or would be so reimbursable but for the application of a deductible or coinsurance amount; or
- care or services, unless otherwise required by law, for which benefits are duplicated or provided under a government program (except Medicaid), any state or federal workers' compensation, employer's liability or occupational disease law, or any motor vehicle no-fault law; or
- care or services provided outside the United States of America, its territories or possessions, or Canada.
- **In MD**: payment of any claim, bill, or other demand or request for payment for health care services that the appropriate regulatory board determines were provided as a result of prohibited referral.

The following two exclusions do not apply to the Flexible Benefit:

- care or services provided by a family member unless:
  - he or she is a regular employee of an organization which is providing the treatment, service or care; and
  - the organization receives the payment for the treatment, service or care; and
  - he or she receives no compensation other than the normal compensation for employees in his or her job category; or
- care or services for which no charge is made in the absence of insurance.

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